

**REPORT OF THE AUDIT OF THE  
EDMONSON COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2011**



**ADAM H. EDELEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable N. E. Reed, Edmonson County Judge/Executive

Members of the Edmonson County Fiscal Court

The enclosed report prepared by Mountjoy Chilton Medley, LLP, presents the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Edmonson County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements.

We engaged Mountjoy Chilton Medley, LLP to perform the audit of these financial statements. We worked closely with the firm during our report review process; Mountjoy Chilton Medley, LLP evaluated Edmonson County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen".

Adam H. Edelen  
Auditor of Public Accounts

Enclosure





**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**EDMONSON COUNTY FISCAL COURT**

**June 30, 2011**

Mountjoy Chilton Medley, LLP has completed the audit of the Edmonson County Fiscal Court for fiscal year ended June 30, 2011. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining funds of Edmonson County.

**Financial Condition:**

The fiscal court had net assets of \$6,068,216 as of June 30, 2011. The fiscal court had unrestricted net assets of \$1,221,703 in its governmental activities as of June 30, 2011, with total net assets of \$5,780,864. In its business-type activities, total net cash and cash equivalents were \$192 with total net assets of \$287,352. The fiscal court had total debt principal as of June 30, 2011 of \$1,148,018 with \$144,704 due within the next year.

**Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities.



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Mountjoy  
Chilton  
Medley

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administration Cabinet  
Honorable N. E. Reed, Edmonson County Judge/Executive  
Members of the Edmonson County Fiscal Court

### Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Edmonson County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Edmonson County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Edmonson County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining funds of Edmonson County, Kentucky, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the modified cash basis of accounting described in Note 1.

Edmonson County, Kentucky adopted GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010. GASB No. 54 redefined how fund balances of the governmental funds are presented in the financial statements (Refer to Note 1(G) for a description of GASB No. 54 reporting).

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administration Cabinet  
Honorable N. E. Reed, Edmonson County Judge/Executive  
Members of the Edmonson County Fiscal Court

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MDA) and budgetary comparison information on pages 4 through 12 and 44 through 48 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Edmonson County, Kentucky's financial statement as a whole. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining fund financial statements are the responsibility of management and derived from and relate directly to the underlying accounting and other records used to prepare financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2011 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Mountjoy Chilton Medley, LLP". The signature is written in a cursive, flowing style.

Mountjoy Chilton Medley, LLP

December 15, 2011

EDMONSON COUNTY OFFICIALS

For The Year Ended June 30, 2011

**Fiscal Court Members:**

N. E. Reed	County Judge/Executive
Bennie "Buck" Simmons	Magistrate
Willie Lindsey	Magistrate
Clark Wood	Magistrate
Charles "Edd" Rich	Magistrate
Johnny Brooks	Magistrate
Neil Vincent	Magistrate

**Other Elected Officials:**

Gregory Royce Vincent	County Attorney
Bruce Logsdon	Jailer
Larry "Butch" Carroll	County Clerk
Sharon French	Circuit Court Clerk
Will Cannon	Sheriff
Kyle White	Property Valuation Administrator
Ed Minyard	Coroner

**Appointed Personnel:**

Betty Ann Bullock	County Treasurer
Margret Skaggs	Finance Officer



Edmonson County  
Courthouse

*N.E. Reed*

*Edmonson County Judge/Executive*



Historic Edmonson County Courthouse

P. O. Box 353  
Brownsville, KY 42210  
(270) 597-2819

## **Management's Discussion and Analysis June 30, 2011**

The financial management of Edmonson County, Kentucky offers readers of Edmonson County's financial statements this narrative overview and analysis of the financial activities of Edmonson County for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented in conjunction with other information that we have furnished in our letter of transmission and notes to the financial statements.

### **Financial Highlights:**

- Edmonson County had net assets of \$6,068,216 as of June 30, 2011. The fiscal court had unrestricted net assets of \$1,221,703 in its governmental activities as of June 30, 2011, with total net assets of \$5,780,864. In its business-type activities, total net cash and cash equivalents were \$192 with total net assets of \$287,352. The fiscal court had total debt principal as of June 30, 2011 of \$1,148,018 with \$144,704 due within the next year.
- The governmental fund's total net assets decreased by \$219,748 from the prior year.
- At the close of the current fiscal year, Edmonson County governmental funds reported current assets of \$1,221,703. Of this amount, \$819,002 is available for spending at the government's discretion (unassigned fund balance).
- Edmonson County's total indebtedness at the close of fiscal year June 30, 2011 was \$1,148,018 of which \$1,003,314 is long-term debt (due after 1 year) and \$144,704 is short-term debt (to be paid within 1 year). Debt additions were a net increase of \$373,018 due to additional debt obtained in the amount of \$400,666 and \$87,648 in debt principal payments.

### **Overview of the Financial Statements:**

This management discussion and analysis is intended to serve as an introduction to Edmonson County's basic financial statements. Edmonson County's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. The schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

**Edmonson County  
Management's Discussion and Analysis  
June 30, 2011  
(Continued)**

**Government-wide Financial Statements:**

The government-wide financial statements are designed to provide readers with a broad overview of Edmonson County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Edmonson County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Edmonson County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expense on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Edmonson County's governmental activities include general government, protection to persons and property, roads, recreation, social services, debt service, and general health and sanitation. Edmonson County has one business type activity – Public Properties Corporation which is the Courthouse Annex Bonds.

**Fund Financial Statements:**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Edmonson County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Edmonson County can be divided into three broad categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

**Governmental Funds:**

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

**Edmonson County**  
**Management's Discussion and Analysis**  
**June 30, 2011**  
**(Continued)**

**Governmental Funds: (Continued)**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government – wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Edmonson County maintains (7) seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

**Major Funds:**

- General Fund
- Road Fund
- E-911 Fund

**Non-major Funds:**

- Jail Fund
- Local Government Economic Assistance Fund (LGEA)
- Community Development Block Grant Fund (CDBG)
- Parks and Recreation Fund

Edmonson County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for each of the major funds to demonstrate compliance with their budgets.

**Proprietary Funds:**

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Public Properties Corporation Fund.

**Fiduciary Funds Financial Statements:**

These funds are used to account for resources held for custodial purposes. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the programs of the County. The accounting used for fiduciary funds is much like that used for proprietary funds. The County's fiduciary fund is the Room Tax Fund.

**Notes to the Financial Statements:**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Edmonson County**  
**Management's Discussion and Analysis**  
**June 30, 2011**  
**(Continued)**

**Financial Analysis Of The County As A Whole:**

**Net Assets:** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

**TABLE 1**  
**EDMONSON COUNTY'S NET ASSETS**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>
<b>Assets</b>						
Current and other assets	\$ 1,418,956	\$ 1,221,703	\$ 189	\$ 192	\$ 1,419,145	\$ 1,221,895
Net Capital Assets	4,581,656	4,932,179	1,087,720	1,062,160	5,669,376	5,994,339
Total Assets	6,000,612	6,153,882	1,087,909	1,062,352	7,088,521	7,216,234
<b>Liabilities</b>						
Current and other Liabilities		79,704	60,000	65,000	60,000	144,704
Long-term Liabilities		293,314	775,000	710,000	775,000	1,003,314
Total Liabilities		373,018	835,000	775,000	835,000	1,148,018
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	4,581,656	4,559,161			4,581,656	4,559,161
Restricted		46,406	252,720	287,160	252,720	333,566
Unrestricted	1,418,956	1,175,297	189	192	1,419,145	1,175,489
Total Net Assets	\$ 6,000,612	\$ 5,780,864	\$ 252,909	\$ 287,352	\$ 6,253,521	\$ 6,068,216

**Edmonson County**  
**Management's Discussion and Analysis**  
**June 30, 2011**  
**(Continued)**

**Financial Analysis Of The County As A Whole (Continued):**

**Changes in Net Assets:**

**TABLE 2**  
**EDMONSON COUNTY'S CHANGE IN NET ASSETS**

	Governmental Activities		Business-type Activities		Total	
	2010	2011	2010	2011	2010	2011
<b>Program Revenues</b>						
Charges for Services	\$ 62,219	\$ 46,760	\$ 100,153	\$ 93,203	\$ 162,372	\$ 139,963
Grants & Contributions	1,844,204	2,171,612			1,844,204	2,171,612
<b>General Revenues</b>						
Taxes	1,009,654	1,057,991			1,009,654	1,057,991
Miscellaneous & Other	136,027	168,925	7	3	136,034	168,928
Total Revenue	3,052,104	3,445,288	100,160	93,206	3,152,264	3,538,494
<b>Expenses</b>						
General Government	1,198,255	1,291,586			1,198,255	1,291,586
Protection to Persons & Property	511,450	667,840			511,450	667,840
General Health and Sanitation	166,745	204,375			166,745	204,375
Social Services	8,300	5,800			8,300	5,800
Recreation and Culture	233,948	259,731			233,948	259,731
Roads	889,421	1,222,937			889,421	1,222,937
Debt Service		12,767				12,767
Public Properties Corporation			60,713	58,763	60,713	58,763
Total Expenses	3,008,119	3,665,036	60,713	58,763	3,068,832	3,723,799
Change In Net Assets	43,985	(219,748)	39,447	34,443	83,432	(185,305)
Net Assets - Beginning	5,956,627	6,000,612	213,462	252,909	6,170,089	6,253,521
Net Assets - Ending	\$ 6,000,612	\$ 5,780,864	\$ 252,909	\$ 287,352	\$ 6,253,521	\$ 6,068,216



**Edmonson County**  
**Management's Discussion and Analysis**  
**June 30, 2011**  
**(Continued)**

**Changes in Net Assets:**

*Governmental Activities.* Edmonson County's net assets decreased by \$219,748 in fiscal year 2011.

**Financial Analysis of County's Funds:**

As noted earlier, Edmonson County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

***Governmental Funds Overview:***

The focus of Edmonson County governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of June 30, 2011, fiscal year, the combined ending fund balances of County governmental funds were \$1,206,703. Approximately 68% (\$819,002) of this consists of unassigned fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$387,701) is either restricted or committed.

The County has (3) three major governmental and (4) four non-major funds.

**Major Funds:**

- General Fund
- Road Fund
- E-911 Fund

**Non-major Funds:**

- Jail Fund
- Local Government Economic Assistance Fund
- Community Development Block Grant (CDBG)
- Parks and Recreation Fund

1. The General Fund is the chief operating fund of Edmonson County. At the end of June 30, 2011 fiscal year, unassigned fund balance of the General Fund was \$819,002. The County received \$941,672 in real and personal property, motor vehicle, and other taxes for approximately 57% of the county's general revenues. Intergovernmental revenues and various other service fees and miscellaneous revenues contribute to the remaining 43% of revenues. The General Fund expenditures for fiscal year 2011 were \$1,746,786.
2. The Road Fund is the fund related to County road construction and maintenance. The Road Fund had a \$25,489 in restricted and \$10,266 in committed fund balance at June 30, 2011. The fiscal year 2011 expenditures for the Road Fund were \$1,786,334. Expenditures increased by \$717,727 over prior year due to more asphalt work in current year and equipment purchases of over \$300,000.

**Edmonson County  
Management's Discussion and Analysis  
June 30, 2011  
(Continued)**

**Financial Analysis of County's Funds:**

*Governmental Funds Overview: (Continued)*

3. The E-911 Fund is used to develop and maintain the enhanced 911 system for Edmonson County. The money for this fund is received from phone surcharge taxes for Commercial Mobile Radio Systems (CMRS). The E-911 Fund had a balance of \$161,124 as of June 30, 2011. This is an increase of \$2,389 over last year due to an increase in the monies received from CMRS.
4. The Jail Fund is used to pay for expenses pertaining to our prisoners such as, housing, medical bills, transportation, and various supporting expenses. The Jail Fund received \$70,143 from State allotments; court costs, DUI, and bond acceptance fees; and \$5,040 from prisoner reimbursements. The General Fund also contributed \$240,606 to the Jail Fund. Expenditures for the fiscal year 2011 were \$320,440. Expenditures showed a \$139,618 increase due to the increased cost of housing prisoners.
5. The Local Government Economic Assistance Fund (LGEA) is money received from mineral severance tax and distributed to the counties by the State Treasury. These funds can only be spent for specific purposes set forth by the state. The Local Government Economic Assistance Fund had a fund balance of \$58,555 as of June 30, 2011. The county received \$25,127 from Mineral Severance and \$898 from interest.
6. The Community Development Block Grant Fund (CDBG) Fund had a balance of \$49,655 as of June 30, 2011. These funds were recaptured from a CDBG loan to Whitewood Industries located in Edmonson County. These funds are committed for approved Industrial Development projects.
7. The Parks and Recreation Fund is used to pay expenses pertaining to our recreational parks. The Parks and Recreation Fund had a balance of \$37,484 as of June 30, 2011. This fund is supported by revenues received from a Recreation Tax and transfers from the General Fund. The Recreational Tax revenues are managed by the Recreation Tax Commission. We also have received several grants which have allowed us to make huge improvements to our parks.

***Proprietary Funds Overview:***

The Public Properties Corporation (PPC) is our only Proprietary Fund. The PPC was set up to handle the bonds sold to generate the funds for the construction of the Courthouse Annex. The Association of Counties (AOC) makes all payments to this fund, and no county funds are used to pay off this debt. These bonds are due to be paid off in 2023. The principal debt owed on these bonds as of June 30, 2011 was \$775,000.

**Edmonson County**  
**Management's Discussion and Analysis**  
**June 30, 2011**  
**(Continued)**

**Capital Assets and Debt Administration**

*Capital Assets:*

Edmonson County's investment in capital assets for its government and business type activities as of June 30, 2011, amount to \$5,994,339 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles, current infrastructure additions, and construction in progress for park improvements. Edmonson County has elected to report infrastructure assets per GASB 34 provisions.

**TABLE 3**  
**EDMONSON COUNTY'S CAPITAL ASSETS,**  
**NET OF ACCUMULATED DEPRECIATION**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>
<b>Assets</b>						
Infrastructure Assets	\$ 773,277	\$ 930,342	\$	\$	\$ 773,277	\$ 930,342
Land and Land Improvements	632,269	647,269			632,269	647,269
Buildings	2,217,990	2,216,109	1,087,720	1,062,160	3,305,710	3,278,269
Vehicles & Equip.						
Other Equip.	958,120	1,138,459			958,120	1,138,459
<b>Total Net Capital Assets</b>	<b>\$ 4,581,656</b>	<b>\$ 4,932,179</b>	<b>\$ 1,087,720</b>	<b>\$ 1,062,160</b>	<b>\$ 5,669,376</b>	<b>\$ 5,994,339</b>

*Long-Term Debt:*

At the end of the 2011 fiscal year, Edmonson County had total bonded debt outstanding of \$775,000 from Courthouse Annex Bonds (PPC), and the fiscal court also had total lease obligations outstanding of \$373,018.

**Other Matters:**

The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2011 fiscal year budget:

- The 2011 fiscal year adopted budget continues most services at current levels.
- The Jail Fund costs were considered when preparing the budget, and health, liability, and worker's comp insurance premiums continue to cause concerns.
- The Industrial Park is still showing signs of economic growth for the County. The Industrial Authority continues to recruit new industries for the park.
- The County continues to be a Drug Task Force partner with Barren County this year.
- As a small county, Edmonson County has been able to grow and maintain the same level of services even though we do not have an insurance or occupational tax.

**Edmonson County**  
**Management's Discussion and Analysis**  
**June 30, 2011**  
**(Continued)**

**Requests for Information:**

The financial report is designed to provide a general overview of Edmonson County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional information should be addressed to the Edmonson County Treasurer, P.O. Box 353, Brownsville, Ky. 42210.

**EDMONSON COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2011**



**EDMONSON COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2011**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,206,703	\$ 192	\$ 1,206,895
Receivable Due From Lease Company	15,000		15,000
Total Current Assets	<u>1,221,703</u>	<u>192</u>	<u>1,221,895</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	647,269		647,269
Buildings	2,216,109	1,062,160	3,278,269
Vehicles and Equipment	1,091,353		1,091,353
Other Equipment	47,106		47,106
Infrastructure	930,342		930,342
Total Noncurrent Assets	<u>4,932,179</u>	<u>1,062,160</u>	<u>5,994,339</u>
Total Assets	<u>6,153,882</u>	<u>1,062,352</u>	<u>7,216,234</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Lease Payables	79,704		79,704
Bonds Payable		65,000	65,000
Total Current Liabilities	<u>79,704</u>	<u>65,000</u>	<u>144,704</u>
Noncurrent Liabilities:			
Lease Payables	293,314		293,314
Bonds Payable		710,000	710,000
Total Noncurrent Liabilities	<u>293,314</u>	<u>710,000</u>	<u>1,003,314</u>
Total Liabilities	<u>373,018</u>	<u>775,000</u>	<u>1,148,018</u>
<b>NET ASSETS</b>			
Invested in Capital Assets,			
Net of Related Debt	4,559,161	287,160	4,846,321
Restricted For:			
Capital Projects	30,996		30,996
Protection to Persons and Property	15,410	192	15,602
Unrestricted	<u>1,175,297</u>		<u>1,175,297</u>
Total Net Assets	<u>\$ 5,780,864</u>	<u>\$ 287,352</u>	<u>\$ 6,068,216</u>

The accompanying notes are an integral part of the financial statements.

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**EDMONSON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2011**

**EDMONSON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues Received</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 1,291,586	\$ 28,027	\$ 376,511	\$
Protection to Persons and Property	667,840	6,037	268,456	38,000
General Health and Sanitation	204,375		37,059	
Social Services	5,800		25,127	
Recreation and Culture	259,731	12,696	62,200	
Roads	1,222,937		1,364,259	
Interest On Financing Obligations	12,767			
Total Governmental Activities	<u>3,665,036</u>	<u>46,760</u>	<u>2,133,612</u>	<u>38,000</u>
Business-type Activities:				
Public Properties Corporation	<u>58,763</u>	<u>93,203</u>		
Total Business-type Activities	<u>58,763</u>	<u>93,203</u>		
Total Primary Government	<u>\$ 3,723,799</u>	<u>\$ 139,963</u>	<u>\$ 2,133,612</u>	<u>\$ 38,000</u>

**General Revenues:**

Taxes:

Real and Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

In Lieu Of Tax Payments

Miscellaneous Revenues

Loss on disposals of vehicles

Investment Income

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**EDMONSON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2011**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (887,048)	\$	\$ (887,048)
(355,347)		(355,347)
(167,316)		(167,316)
19,327		19,327
(184,835)		(184,835)
141,322		141,322
(12,767)		(12,767)
(1,446,664)		(1,446,664)
	34,440	34,440
	34,440	34,440
\$ (1,446,664)	\$ 34,440	\$ (1,412,224)
607,773		607,773
91,173		91,173
245,801		245,801
113,244		113,244
162,125		162,125
(17,143)		(17,143)
23,943	3	23,946
1,226,916	3	1,226,919
(219,748)	34,443	(185,305)
6,000,612	252,909	6,253,521
\$ 5,780,864	\$ 287,352	\$ 6,068,216

The accompanying notes are an integral part of the financial statements.

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**EDMONSON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2011**



**EDMONSON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2011**

	<b>General Fund</b>	<b>Road Fund</b>	<b>E-911 Fund</b>	<b>Non- Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 846,040	\$ 35,755	\$ 161,124	\$ 163,784	\$ 1,206,703
Total Assets	<u>\$ 846,040</u>	<u>\$ 35,755</u>	<u>\$ 161,124</u>	<u>\$ 163,784</u>	<u>\$ 1,206,703</u>
<b>FUND BALANCES</b>					
Restricted for:					
Capital Projects	\$	\$ 25,489	\$ 5,507	\$	\$ 30,996
Protection to Persons and Property				15,410	15,410
Committed to:					
General Government	27,038				27,038
Protection to Persons and Property		10,266	155,617	52,335	218,218
General Health and Sanitation				58,555	58,555
Recreation and Culture				37,484	37,484
Unassigned	<u>819,002</u>				<u>819,002</u>
Total Fund Balances	<u>\$ 846,040</u>	<u>\$ 35,755</u>	<u>\$ 161,124</u>	<u>\$ 163,784</u>	<u>\$ 1,206,703</u>

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 1,206,703
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Governmental Funds.	6,671,710
Accumulated Depreciation	(1,739,531)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Lease Obligations	(373,018)
Receivable due from lease company for traded vehicles	<u>15,000</u>
Net Assets Of Governmental Activities	<u>\$ 5,780,864</u>

The accompanying notes are an integral part of the financial statements.

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**EDMONSON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**



**EDMONSON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

	<b>General Fund</b>	<b>Road Fund</b>	<b>E-911 Fund</b>	<b>Non- Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Taxes	\$ 828,428	\$	\$ 95,254	\$	\$ 923,682
In Lieu Tax Payments	113,244				113,244
Excess Fees	8				8
Licenses and Permits	25,447				25,447
Intergovernmental	515,683	1,423,826		161,335	2,100,844
Charges for Services	10,399			5,040	15,439
Miscellaneous	148,949	96,702		14,172	259,823
Interest	12,392	7,434	2,542	1,575	23,943
Total Revenues	<u>1,654,550</u>	<u>1,527,962</u>	<u>97,796</u>	<u>182,122</u>	<u>3,462,430</u>
<b>EXPENDITURES</b>					
General Government	910,862				910,862
Protection to Persons and Property	213,681		92,445	322,761	628,887
General Health and Sanitation	193,575			10,800	204,375
Social Services				5,800	5,800
Recreation and Culture	185,939			91,240	277,179
Roads		1,656,859			1,656,859
Debt Service	16,251	24,163			40,414
Administration	226,478	105,312	2,962	16,221	350,973
Total Expenditures	<u>1,746,786</u>	<u>1,786,334</u>	<u>95,407</u>	<u>446,822</u>	<u>4,075,349</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(92,236)</u>	<u>(258,372)</u>	<u>2,389</u>	<u>(264,700)</u>	<u>(612,919)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers From Other Funds	168,379			280,683	449,062
Transfers To Other Funds	(280,683)	(168,379)			(449,062)
Financing Source - Lease	85,000	315,666			400,666
Total Other Financing Sources (Uses)	<u>(27,304)</u>	<u>147,287</u>		<u>280,683</u>	<u>400,666</u>
Net Change in Fund Balances	(119,540)	(111,085)	2,389	15,983	(212,253)
Fund Balances - Beginning	<u>965,580</u>	<u>146,840</u>	<u>158,735</u>	<u>147,801</u>	<u>1,418,956</u>
Fund Balances - Ending	<u>\$ 846,040</u>	<u>\$ 35,755</u>	<u>\$ 161,124</u>	<u>\$ 163,784</u>	<u>\$ 1,206,703</u>

The accompanying notes are an integral part of the financial statements.

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**EDMONSON COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**



**EDMONSON COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$ (212,253)
Governmental Funds Report Capital Outlays As Expenditures. However, In The Statement Of Activities The Cost Of Those Assets Is Allocated Over Their Estimated Useful Lives And Reported As Depreciation Expense.	
Capital Outlay	664,381
Depreciation Expense	(281,715)
Loss on disposals of vehicles	(17,143)
The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.	
Financing Source - Lease	(400,666)
Financing Obligations Principal Payments	<u>27,648</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (219,748)</u></u>

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**EDMONSON COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2011**



**EDMONSON COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2011**

	<b>Business-Type Activity Enterprise Fund</b>
	<b>Public Properties Corporation Fund</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 192
Total Current Assets	<u>192</u>
Noncurrent Assets:	
Capital Assets:	
Buildings	1,420,000
Less Accumulated Depreciation	<u>(357,840)</u>
Total Noncurrent Assets	<u>1,062,160</u>
Total Assets	<u>1,062,352</u>
<b>Liabilities</b>	
Current Liabilities:	
Bonds Payable	<u>65,000</u>
Total Current Liabilities	<u>65,000</u>
Noncurrent Liabilities:	
Bonds Payable	<u>710,000</u>
Total Noncurrent Liabilities	<u>710,000</u>
Total Liabilities	<u>775,000</u>
<b>Net Assets</b>	
Invested in Capital Assets,	
Net of Related Debt	287,160
Restricted For:	
Debt Service	<u>192</u>
Total Net Assets	<u>\$ 287,352</u>

The accompanying notes are an integral part of the financial statements.

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**EDMONSON COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**



**EDMONSON COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

	<b>Business-Type Activity Enterprise Fund</b>
	<b>Public Properties Corporation Fund</b>
<b>Operating Revenues</b>	
Rental Income	\$ 93,203
Total Operating Revenues	<u>93,203</u>
<b>Operating Expenses</b>	
Depreciation	<u>25,560</u>
Total Operating Expenses	<u>25,560</u>
Operating Income	<u>67,643</u>
<b>Nonoperating Revenues (Expenses)</b>	
Investment Income	3
Debt Service:	
Interest Payments	<u>(33,203)</u>
Total Nonoperating Revenues (Expenses)	<u>(33,200)</u>
Change In Net Assets	34,443
Total Net Assets - Beginning	<u>252,909</u>
Total Net Assets - Ending	<u><u>\$ 287,352</u></u>

The accompanying notes are an integral part of the financial statements.

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**EDMONSON COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**



**EDMONSON COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

	<b>Business-Type Activity Enterprise Fund</b>
	<b>Public Properties Corporation Fund</b>
<b>Cash Flows From Operating Activities</b>	
Rental Income	\$ 93,203
Net Cash Provided By Operating Activities	<u>93,203</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Principal Paid On Capital Debt	(60,000)
Interest Paid On Capital Debt	<u>(33,203)</u>
Net Cash Used By Capital and Related Financing Activities	<u>(93,203)</u>
<b>Cash Flows From Investing Activities</b>	
Dividends Earned	<u>3</u>
Net Cash Provided By Investing Activities	<u>3</u>
Net Increase in Cash and Cash Equivalents	3
Cash and Cash Equivalents - July 1, 2009	<u>189</u>
Cash and Cash Equivalents - June 30, 2010	<u><u>\$ 192</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$ 67,643
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities	
Depreciation Expense	<u>25,560</u>
Net Cash Provided By Operating Activities	<u><u>\$ 93,203</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**EDMONSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county prepares its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Receivables are recognized on the Statement of Net Assets, but receivables are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets amount other items are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Committed fund balance).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Edmonson County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or their exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The county has no discretely presented component units.

**Blended Component Unit**

**Edmonson County Public Properties Corporation**

The Fiscal Court has the authority to appoint a voting majority of the Public Properties Corporation's (PPC) Board of Directors. The Fiscal Court also has the ability to approve or modify the PPC's budget, approve or modify rate or fee changes affecting revenues, veto, overrule, or modify decisions of the Board of Directors, or otherwise impose its will on the PPC. In addition, the Fiscal Court is financially accountable for the PPC, legally entitled to the PPC's resources, as well as legally obligated for the PPC's debt. Financial information for the PPC is blended within Edmonson County's financial statements. All activities of the PPC are accounted for within a major enterprise fund.

**EDMONSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Kentucky law provides for election of the officials below from the geographic area constituting Edmonson County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These officials are not part of the Edmonson County reporting entity.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**C. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

**EDMONSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Government-wide and Fund Financial Statements (Continued)**

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3<sup>rd</sup> Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. A separate financial statement is not provided for fiduciary funds, since assets and liabilities were \$0 as of June 30, 2011. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

E-911 Fund - This fund is for emergency 911 communications. The primary source of revenue for this fund is surcharge taxes for Commercial Mobile Radio Systems (CMRS). The state distributes CMRS monies to counties to supplement 911 operations. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

The primary government also has the following non-major funds: Jail Fund, Local Government Economic Assistance Fund, Community Development Block Grant Fund, and Parks and Recreation Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Community Development Block Grant Fund, Parks and Recreation Fund and E-911 Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**EDMONSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Government-wide and Fund Financial Statements (Continued)**

**Proprietary Fund**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Enterprise Fund:**

The principal operating revenue of the county's enterprise fund is charges for rent in the Edmonson County Public Properties Corporation Fund. Operating expenses for the enterprise fund include administrative expenses and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued November 30, 1989, unless the Governmental Accounting Standards Board (GASB) adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Edmonson County Public Properties Corporation (PPC) - The PPC accounts for the activities of the PPC, a blended component unit of the Fiscal Court. The PPC issued debt to build facilities and additions to the justice center. The PPC entered into a contract, lease, and option with the Fiscal Court and Administrative Office of the Courts (AOC), Commonwealth of Kentucky.

**Fiduciary Fund**

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Room Tax Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following major fiduciary fund:

Room Tax Fund - This fund accounts for funds received from lodging establishments and remitted to the Edmonson County Tourism Commission. As of June 30, 2011, the Room Tax Fund's assets and liabilities were \$0.

**D. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).



**EDMONSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost when purchased or estimated historical cost when constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction in Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings	75,000	10-75
Building Improvements	50,000	10-60
Machinery and Equipment	15,000	3-25
Vehicles	15,000	3-10
Infrastructure	50,000	10-50
Office Equipment	10,000	3-15
Office Furniture	1,000	3-15

**F. Long-term Obligations**

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**EDMONSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Fund Equity (GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*)**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable. Spendable fund balances are then divided between restricted, committed, assigned and unassigned. Non-spendable is fund balance that is not in spendable form or legally or contractually required to be maintained intact. Edmonson County did not have any non-spendable fund balance. Restricted (spendable) amounts are restricted to a specific purpose through external constraints (creditors for loans, grantors, etc.), or amounts restricted to a specific purpose through constitutional law or enabling legislation. Edmonson County had \$46,406 of restricted fund balance. Committed (spendable) are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the county's highest level of decision making authority (ordinance or resolution); can only be removed by taking the same type of action employed previously (another ordinance or resolution); and separate commitment from the authorization to raise the revenue; and not considered legally enforceable. Encumbrances are included in the committed fund balance. Encumbrances are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (committed). Edmonson County had \$341,295 of committed fund balance. Assigned (spendable) are amounts constrained by the county's intent to be used for specific purpose. Intent is expressed by the fiscal court or an official appointed by the fiscal court to carry out its wishes. Ordinance or resolution would not be required, only intent. Amount can be reassigned easily. For special revenue, capital projects, debt service, and permanent funds any amount remaining after restricted and committed are considered assigned unless a negative amount remains, then it is unassigned. For the general fund, intent must be established for assigned amount. Edmonson County did not have any assigned fund balance. Unassigned (spendable) are residual amount remaining for the general fund after restricted, committed and assigned is reported. The general fund should be the only fund to present unassigned fund balance unless one of the other funds is reporting a negative fund balance, then that portion would also be considered unassigned. Negative fund balance can only be applied against assigned fund balance. Once assigned is zero, any remaining negative fund balance is unassigned. Edmonson County had \$819,002 of unassigned fund balance.

**H. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**EDMONSON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**I. Related Organizations and Joint Venture**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. The primary government's accountability for related organizations does not extend beyond making appointments. Based on these criteria, the following are considered related organizations of Edmonson County Fiscal Court: Edmonson County Industrial Authority, Inc., Edmonson County Ambulance Service, and Edmonson County Recreational Tax Commission.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the Edmonson County-City of Brownsville Planning and Zoning Commission is considered a joint venture of the Edmonson County Fiscal Court.

**Note 2. Deposits**

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2011, public funds were covered by FDIC insurance or a properly executed collateral security agreement.

**EDMONSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 632,269	\$ 15,000		\$ 647,269
Total Capital Assets Not Being Depreciated	632,269	15,000		647,269
Capital Assets, Being Depreciated:				
Buildings	2,823,584	70,000		2,893,584
Vehicles and Equipment	1,544,894	335,656	(107,045)	1,773,505
Other Equipment	57,447			57,447
Infrastructure	1,056,180	243,725		1,299,905
Total Capital Assets Being Depreciated	5,482,105	649,381	(107,045)	6,024,441
Less Accumulated Depreciation For:				
Buildings	(605,594)	(71,881)		(677,475)
Vehicles and Equipment	(637,327)	(119,727)	74,902	(682,152)
Other Equipment	(6,894)	(3,447)		(10,341)
Infrastructure	(282,903)	(86,660)		(369,563)
Total Accumulated Depreciation	(1,532,718)	(281,715)	74,902	(1,739,531)
Total Capital Assets, Being Depreciated, Net	3,949,387	367,666	(32,143)	4,284,910
Governmental Activities Capital Assets, Net	<u>\$ 4,581,656</u>	<u>\$ 382,666</u>	<u>\$ (32,143)</u>	<u>\$ 4,932,179</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Buildings	\$ 1,420,000	\$	\$	\$ 1,420,000
Total Capital Assets Being Depreciated	1,420,000			1,420,000
Less Accumulated Depreciation For:				
Buildings	(332,280)	(25,560)		(357,840)
Total Accumulated Depreciation	(332,280)	(25,560)		(357,840)
Total Capital Assets, Being Depreciated, Net	1,087,720	(25,560)		1,062,160
Business-Type Activities Capital Assets, Net	<u>\$ 1,087,720</u>	<u>\$ (25,560)</u>	<u>\$</u>	<u>\$ 1,062,160</u>

**EDMONSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 29,751
Protection to Persons and Property	38,953
Recreation and Culture	67,552
Roads	<u>145,459</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 281,715</u>
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Business-Type Activities

Public Properties Corporation Fund	<u>\$ 25,560</u>
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Total Depreciation Expense - Business-Type Activities	<u>\$ 25,560</u>
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**Note 4. Long-term Debt**

**First Mortgage Revenue Refunding Bonds, Series 2004**

On October 1, 2004, the Edmonson County Public Properties Corporation issued \$1,190,000 of First Mortgage Revenue Refunding Bonds to advance refund the First Mortgage Revenue Bonds, Series 1997, issued by the Edmonson County Public Properties Corporation for the construction of the Courthouse Annex. The 2004 series bonds were issued at various rates from 2.00% through 4.40%. The final maturity date of the 2004 series bonds is March 1, 2023. Total bonds outstanding as of June 30, 2011 totaled \$775,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Business-Type Activities	
	Principal	Interest
2012	\$ 65,000	\$ 31,163
2013	70,000	28,953
2014	55,000	26,433
2015	55,000	24,453
2016	60,000	22,308
2017-2021	350,000	71,414
2022-2023	<u>120,000</u>	<u>7,480</u>
Totals	<u>\$ 775,000</u>	<u>\$ 212,204</u>

**EDMONSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**Edmonson County #8 Extension Building Lease**

On September 10, 2010, the Edmonson County Fiscal Court entered into a lease to purchase the extension building. The lease was issued at variable rates from 2.00% through 4.40%. The original principal balance was \$85,000. The final maturity date of the lease is September 20, 2015. Total principal outstanding as of June 30, 2011 totaled \$73,136. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental-Type Activities	
	Principal	Interest
2012	\$ 16,571	\$ 2,823
2013	16,959	2,102
2014	17,352	1,364
2015	17,753	610
2016	4,501	33
Totals	<u>\$ 73,136</u>	<u>\$ 6,932</u>

**Edmonson County #9 Trucks and Equipment Lease**

On March 18, 2011, the Edmonson County Fiscal Court entered into a lease for trucks and equipment. The lease has a fixed interest rate of 4.150%. The original principal balance was \$315,666. The final maturity date of the lease is March 20, 2016. Total principal outstanding as of June 30, 2011 totaled \$299,882. At the origination of the lease, the Edmonson Count Fiscal Court traded a vehicle for \$15,000. The lease company forgot to decrease the lease principal by the \$15,000; therefore the lease company sent the \$15,000 payment in July 2011 when the error was discovered. Therefore, an accounts receivable was recorded for the payment in transit. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental-Type Activities	
	Principal	Interest
2012	\$ 63,133	\$ 2,823
2013	63,133	2,102
2014	63,133	1,364
2015	63,133	610
2016	47,350	33
Totals	<u>\$ 299,882</u>	<u>\$ 6,932</u>

**EDMONSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**A. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental-Type Activities:</u>					
Leases	\$	\$ 400,666	\$ 27,648	\$ 373,018	\$ 79,704
Governmental-Type Activities					
Long-term Liabilities	\$	\$ 400,666	\$ 27,648	\$ 373,018	\$ 79,704
<u>Business-Type Activities:</u>					
Revenue Refunding Bonds	\$ 835,000	\$	\$ 60,000	\$ 775,000	\$ 65,000
Business-Type Activities					
Long-term Liabilities	\$ 835,000	\$	\$ 60,000	\$ 775,000	\$ 65,000

**Note 5. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.83 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**EDMONSON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**  
**(Continued)**

**Note 6. Deferred Compensation**

On March 12, 2003, the Edmonson County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 7. Insurance**

For the fiscal year ended June 30, 2011, Edmonson County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 8. Fund Balance Classification Policies and Procedures**

The Fiscal Court elected members are the Edmonson County Fiscal Court's highest level of decision-making authority. Commitments of fund balance must be approved by the fiscal court during an open fiscal court meeting. The fiscal court approves commitments by formal vote. The Edmonson County Fiscal Court has retained the authority to assign amounts to a specific purpose utilizing the same policy established for committing funds to a specific purpose. The Edmonson County Fiscal Court adopted a policy to govern the order of priority on use of fund balance. The order from first to last to spend is as follows: restricted, committed, assigned and unassigned.

**Note 9. Change in Accounting Principle**

Edmonson County, Kentucky adopted GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of July 1, 2010. GASB No. 54 redefined how fund balances of the governmental funds are presented in the financial statements (Refer to Note 1 (G) for a description of GASB No. 54).



**EDMONSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**REQUIRED SUPPLEMENTARY INFORMATION – Modified Cash Basis**

**For The Year Ended June 30, 2011**



**EDMONSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**  
**Modified Cash Basis**

**For The Year Ended June 30, 2011**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 766,000	\$ 857,754	\$ 828,428	\$ (29,326)
In Lieu Tax Payments	80,000	80,000	113,244	33,244
Excess Fees	50,000	50,000	8	(49,992)
Licenses and Permits	25,200	25,200	25,447	247
Intergovernmental Revenue	593,871	1,001,330	515,683	(485,647)
Charges for Services	20,000	20,000	10,399	(9,601)
Miscellaneous	87,600	119,411	148,949	29,538
Interest	30,000	30,000	12,392	(17,608)
Total Revenues	<u>1,652,671</u>	<u>2,183,695</u>	<u>1,654,550</u>	<u>(529,145)</u>
<b>EXPENDITURES</b>				
General Government	913,461	1,323,232	910,862	412,370
Protection to Persons and Property	227,089	281,753	213,681	68,072
General Health and Sanitation	192,310	200,903	193,575	7,328
Recreation and Culture	87,863	110,739	100,939	9,800
Debt Service	13,001	17,501	16,251	1,250
Administration	262,750	343,370	226,478	116,892
Total Expenditures	<u>1,696,474</u>	<u>2,277,498</u>	<u>1,661,786</u>	<u>615,712</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(43,803)</u>	<u>(93,803)</u>	<u>(7,236)</u>	<u>86,567</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	(170,683)	(320,683)	(280,683)	40,000
Transfers From Other Funds	<u>168,379</u>	<u>168,379</u>	<u>168,379</u>	
Total Other Financing Sources (Uses)	<u>(2,304)</u>	<u>(152,304)</u>	<u>(112,304)</u>	<u>40,000</u>
Net Changes in Fund Balance	(46,107)	(246,107)	(119,540)	126,567
Fund Balance - Beginning	<u>46,107</u>	<u>246,107</u>	<u>965,580</u>	<u>719,473</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 846,040</u>	<u>\$ 846,040</u>

**EDMONSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**  
**Modified Cash Basis**  
**For The Year Ended June 30, 2011**  
**(Continued)**

**Reconciliation of Budgetary Schedule to Schedule of Revenues, Expenditures, and**  
**Changes In Fund Balances - Governmental Funds - Modified Cash Basis:**

Total Revenues per Budgetary Schedule	\$ 1,654,550	\$ 1,654,550
Total Expenditures per Budgetary Schedule	(1,661,786)	
Extension building purchase - non-cash exchange	<u>(85,000)</u>	(1,746,786)
Other Financing Sources (Uses) per Budgetary Schedule	(112,304)	
KACO Leasing Trust Lease - non - cash exchange	<u>85,000</u>	(27,304)
Beginning Fund Balance per Budgetary Schedule (Restatement)		<u>965,580</u>
Ending Fund Balance per Budgetary Schedule and Schedule of Revenues, Expenditures, and Changes in Fund Balances		<u><u>\$ 846,040</u></u>

EDMONSON COUNTY  
 BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS  
 Required Supplementary Information  
 Modified Cash Basis  
 For The Year Ended June 30, 2011  
 (Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,169,129	\$ 1,786,585	\$ 1,423,826	\$ (362,759)
Miscellaneous	5,000	5,000	96,702	91,702
Interest	10,000	10,000	7,434	(2,566)
Total Revenues	1,184,129	1,801,585	1,527,962	(273,623)
<b>EXPENDITURES</b>				
Roads	1,011,072	1,639,100	1,341,193	297,907
Capital Projects	5,000			
Debt Service		33,184	24,163	9,021
Administration	107,800	107,044	105,312	1,732
Total Expenditures	1,123,872	1,779,328	1,470,668	308,660
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	60,257	22,257	57,294	35,037
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	(168,379)	(168,379)	(168,379)	
Total Other Financing Sources (Uses)	(168,379)	(168,379)	(168,379)	
Net Changes in Fund Balance	(108,122)	(146,122)	(111,085)	35,037
Fund Balance - Beginning	108,122	146,122	146,840	718
Fund Balance - Ending	\$ 0	\$ 0	\$ 35,755	\$ 35,755

**EDMONSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**  
**Modified Cash Basis**  
**For The Year Ended June 30, 2011**  
**(Continued)**

**Reconciliation of Budgetary Schedule to Schedule of Revenues, Expenditures, and**  
**Changes In Fund Balances - Governmental Funds - Modified Cash Basis:**

Total Revenues per Budgetary Schedule	\$ 1,527,962	\$ 1,527,962
Total Expenditures per Budgetary Schedule	(1,470,668)	
Road equipment purchase - non-cash exchange	<u>(315,666)</u>	(1,786,334)
Other Financing Sources (Uses) per Budgetary Schedule	(168,379)	
KACO Leasing Trust Lease - non - cash exchange	<u>315,666</u>	147,287
Beginning Fund Balance per Budgetary Schedule (Restatement)		<u>146,840</u>
Ending Fund Balance per Budgetary Schedule and Schedule of Revenues, Expenditures, and Changes in Fund Balances		<u><u>\$ 35,755</u></u>

EDMONSON COUNTY  
 BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS  
 Required Supplementary Information  
 Modified Cash Basis  
 For The Year Ended June 30, 2011  
 (Continued)

E-911 FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 100,000	\$ 100,000	\$ 95,254	\$ (4,746)
Interest	5,000	5,000	2,542	(2,458)
Total Revenues	105,000	105,000	97,796	(7,204)
<b>EXPENDITURES</b>				
Protection to Persons and Property	101,926	101,845	92,445	9,400
Administration	3,074	3,155	2,962	193
Total Expenditures	105,000	105,000	95,407	9,593
Excess (Deficiency) of Revenues Over Expenditures			2,389	2,389
Net Changes in Fund Balance			2,389	2,389
Fund Balance - Beginning			158,735	158,735
Fund Balance - Ending	\$ 0	\$ 0	\$ 161,124	\$ 161,124

**EDMONSON COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2011**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.



**EDMONSON COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2011**



**EDMONSON COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2011**

	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>	<b>Community Development Block Grant Fund</b>	<b>Parks and Recreation Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 18,090	\$ 58,555	\$ 49,655	\$ 37,484	\$ 163,784
Total Assets	<u>\$ 18,090</u>	<u>\$ 58,555</u>	<u>\$ 49,655</u>	<u>\$ 37,484</u>	<u>\$ 163,784</u>
<b>FUND BALANCES</b>					
Restricted for:					
Protection to Persons and Property	\$ 15,410	\$	\$	\$	\$ 15,410
Committed to:					
Protection to Persons and Property	2,680		49,655		52,335
General Health and Sanitation		58,555			58,555
Recreation and Culture				37,484	37,484
Total Fund Balances	<u>\$ 18,090</u>	<u>\$ 58,555</u>	<u>\$ 49,655</u>	<u>\$ 37,484</u>	<u>\$ 163,784</u>

The accompanying notes are an integral part of the financial statements.

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**EDMONSON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2011**



**EDMONSON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2011**

	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>	<b>Community Development Block Grant Fund</b>	<b>Parks and Recreation Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>					
Intergovernmental	\$ 70,143	\$ 25,127	\$	\$ 66,065	\$ 161,335
Charges for Services	5,040				5,040
Miscellaneous				14,172	14,172
Interest	64	898	544	69	1,575
Total Revenues	<u>75,247</u>	<u>26,025</u>	<u>544</u>	<u>80,306</u>	<u>182,122</u>
<b>EXPENDITURES</b>					
Protection to Persons and Property	311,317	6,344	5,100		322,761
General Health and Sanitation		10,800			10,800
Social Services		5,800			5,800
Recreation and Culture		10,280		80,960	91,240
Administration	9,123			7,098	16,221
Total Expenditures	<u>320,440</u>	<u>33,224</u>	<u>5,100</u>	<u>88,058</u>	<u>446,822</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources	<u>(245,193)</u>	<u>(7,199)</u>	<u>(4,556)</u>	<u>(7,752)</u>	<u>(264,700)</u>
<b>Other Financing Sources</b>					
Transfers From Other Funds	<u>240,606</u>			<u>40,077</u>	<u>280,683</u>
Total Other Financing Sources	<u>240,606</u>			<u>40,077</u>	<u>280,683</u>
Net Change in Fund Balances	(4,587)	(7,199)	(4,556)	32,325	15,983
Fund Balances - Beginning	<u>22,677</u>	<u>65,754</u>	<u>54,211</u>	<u>5,159</u>	<u>147,801</u>
Fund Balances - Ending	<u>\$ 18,090</u>	<u>\$ 58,555</u>	<u>\$ 49,655</u>	<u>\$ 37,484</u>	<u>\$ 163,784</u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





Mountjoy  
Chilton  
Medley

The Honorable N. E. Reed, Edmonson County Judge/Executive  
Members of the Edmonson County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Edmonson County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated December 15, 2011. Edmonson County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Edmonson County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Edmonson County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Edmonson County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Edmonson County Fiscal Court's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Edmonson County's financial statements as of and for the year ended June 30, 2011, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Mountjoy Chilton Medley, LLP".

Mountjoy Chilton Medley, LLP

December 15, 2011

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**EDMONSON COUNTY FISCAL COURT**

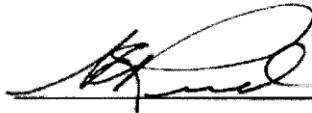
**For The Fiscal Year Ended  
June 30, 2011**



**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**  
**EDMONSON COUNTY FISCAL COURT**

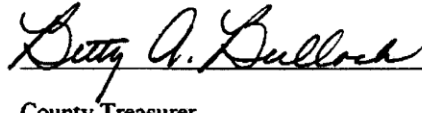
For The Fiscal Year Ended June 30, 2011

The Edmonson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



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County Judge/Executive



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County Treasurer

